

ANALYSIS OF AMENDED BILL

Author: SG&F Cmte. Analyst: Funmi Obatolu Bill Number: SB 1476
See Legislative Introduced Date: March 7, 2016
Related Bills: History Telephone: 845-5845 Amended Date: April 14, 2016
Attorney: Bruce Langston Sponsor _____

SUBJECT: Voluntary Contribution Designation Revision

SUMMARY

This bill would add general requirements for new or extended voluntary contributions.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION

No position.

Summary of Amendments

The bill, as introduced on March 7, 2016, would require legislation that creates or extends a voluntary contribution to include specific criteria.

The April 14, 2016, amendments modified the criteria that would be applicable to future voluntary contribution legislation and made other technical amendments.

This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to increase transparency in the administration of the voluntary contribution funds.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2017, and would apply to voluntary contributions enacted or extended on or after that date.

STATE LAW

Current state tax law allows taxpayers to make contributions of their own monies (not tax liability) on their tax returns to any of the 19 voluntary contribution funds listed on the 2015 state personal income tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB) and the State Controller's Office (Controller's) actual costs to administer the fund.

With the following exceptions, funds remain on the return until they are either repealed or fail to meet their minimum contribution amount:

- The California Seniors Special Fund has no sunset date.
- The California Seniors Special Fund, the California Firefighters Memorial Fund, and the California Peace Officer Memorial Foundation Fund have no annual minimum contribution amount.
- The California Fund for Senior Citizens' minimum contribution amount is fixed at \$250,000.

Additionally, with the exception of the four funds listed above, each fund's minimum contribution amount is adjusted annually for inflation based on the percentage change in the California Consumer Price Index.

The FTB is required to make the following determinations for each fund by September 1 of each calendar year:

- The minimum contribution amount required for the fund to remain on the return for the following calendar year, and
- Whether estimated contributions to the fund will be less than the minimum contribution amount for that calendar year.

If the FTB estimates that contributions to a fund will fail to meet or exceed the minimum contribution amount for a calendar year, that fund is repealed effective January 1 of that calendar year.

THIS BILL

This bill would provide that any new voluntary tax contribution, including an extension of an existing voluntary tax contribution, include all of the following requirements:

- The words "voluntary tax contribution" as part of the name of the fund.
- The administering agency's Internet Web site would report the process for awarding money, the amount of money spent on administration, and an itemization of how program funds were awarded by the agency, including, but not limited to, information regarding recipients of funds. An "administering agency" would mean the state agency or other governmental entity, other than the FTB and the Controller to which funds are allocated to accomplish the purposes of the voluntary contribution designation.
- In order to continue appearing on the tax return, a voluntary contribution fund must receive a minimum contribution of \$250,000 for the second calendar year after its first appearance on the personal income tax return.
- The article establishing a voluntary tax contribution would remain in effect only until January 1 of the seventh calendar year following the first appearance of the contribution on the personal income tax return, and would be repealed as of December 1 of that year.

- Funds contributed pursuant to the tax check-off shall be continuously appropriated to the administering agency to be spent as prescribed in the act in which the voluntary tax contribution is enacted.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

SB 1207 (Wolk, 2013/2014) would have modified the current voluntary contribution designation process by establishing the California Voluntary Contributions Program and authorizing the Office of California Volunteers to administer the program. SB 1207 failed to pass out of the Assembly Appropriations Committee.

OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Illinois, Massachusetts, Michigan, Minnesota, and New York allow for taxpayer contribution designations on the personal income tax return. *Florida* does not have a personal income tax but allows contribution designations on the state's motor vehicle registration and renewal forms.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue or the department's current programs or practices.

SUPPORT/OPPOSITION

Support: None provided.

Opposition: None provided.

ARGUMENTS

Proponents: Some may argue the bill's additional requirement would increase accountability and improve the administration of the voluntary contribution funds.

Opponents: Some may argue that voluntary contribution requirements should be determined on a case-by-case basis.

LEGISLATIVE STAFF CONTACT

Funmi Obatolu
Legislative Analyst, FTB
(916) 845-5845
funmi.obatolu@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Gail Hall
Legislative Director, FTB
(916) 845-6333
gail.hall@ftb.ca.gov